Leaving no one behind: Why reducing inequality and social exclusion matters

Inequality can be defined as the unequal distribution of material and non-material goods and services among social groups. Much attention has been paid to high or increasing levels of income inequality and, consequently, to the need for more inclusive economic growth that expands the incomes of those at the bottom of the income distribution. This is critically important. Income inequality has been on the rise in both developed and developing regions. Seven out of ten people in developing countries now live in societies that are more unequal than they were two decades ago. The world’s richest 62 individuals have as much wealth as the poorest half of the global population.

Income inequalities are compounded with inequalities in other dimensions of well-being. In Sub-Saharan Africa, for example, the richest quintile is more than twice as likely as the poorest to have access to safe water, and almost five times as likely to have access to improved sanitation. Across the developing world, children in urban areas are more likely to complete primary school than children in rural areas. UNDP’s approach to reducing inequality calls for a framework that looks beyond income and systematically and comprehensively addresses all dimensions of inequalities that matter for well-being, including moderating income inequality; closing gaps in health, nutrition, and education; and tackling the prejudices and stereotypes which reinforce intergroup inequality. This vision is also reflected in the Sustainable Development Goals which include a specific goal on the reduction of inequality both within and among countries (Goal 10), with targets on the reduction of income inequality (10.1), inequality of opportunities (10.3 and 10.4); and social, economic and political inclusion of all (10.2 and 10.3).

Tackling these broader inequalities has an intrinsic value, but there are also important practical reasons. Growing or high inequality is detrimental to economic growth, in particular the kind which reduces poverty, enables social mobility and is environmentally sustainable. Inequalities also undermine social cohesion, increase political and social tension, and, in some cases, especially when they take the shape of horizontal inequality – differences across groups of people based on gender, ethnicity, or location – they can result in instability and conflict.

Policy Recommendations

- **Recognize that different dimensions of inequality reinforce each other** and thus need to be addressed together. Inequalities in outcomes and opportunities are closely interrelated; improving the distribution of income alone is unlikely to remove all barriers to the well-being of disadvantaged groups, for example.

- **Promote inclusive and sustainable growth policies** that raise the incomes of poor and marginalized households, by generating growth and employment in the localities where poor, excluded, and marginalized people live, and in the sectors in which they work. For many countries this requires improved agricultural productivity, as well as a shift, or structural transformation, towards the creation of more productive economic activities and economic diversification. Such transformation often requires technology, innovation and a healthy and educated workforce free to participate in the development process. The exact transformation pathway and the extent to which it is needed will depend on where each country stands. Ultimately, it aims to

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**RECOMMENDATIONS**

- Recognize that many dimensions of inequality matter for well-being and they should be addressed simultaneously.
- Promote inclusive and sustainable growth, through productive employment creation.
- Close persistent gaps in education, health and nutrition.
- Engage in specific actions that mitigate social exclusion.
- Prevent environmental changes that disproportionally affect the poorest.
reduce an over-reliance on a few sectors with volatile prices, towards a more developed and diversified production system that in turn increases stability and can generate more and better jobs.

- **Close gaps in health, nutrition and education** through more inclusive social policies and increasing public expenditure on basic services and social protection, with the aim of achieving universal coverage and good quality services, with a particular emphasis on disadvantaged groups. This implies progressive fiscal policies that allow a fair redistribution of wealth. It also implies that social protection interventions that are grounded on human rights principles, are inclusive of all, are systemic and protect people throughout their life cycle, include environmental concerns and vulnerability arising from a changing environment, and are sustainable through secure and reliable long-term funding.

- **Mitigate and eradicate social exclusion** by removing prejudices and stereotypes that reinforce disadvantages for certain groups and prevent them from participating in decision making processes. For example, actions towards closing the wage gap between men and women and the underrepresentation of women among political decision-makers.

- **Prevent environmental changes to disproportionately affect the poorest**. The threat of depending on increasingly unpredictable natural resources for survival is often intensified by the fact that the poor lack the assets and cushions necessary to remain resilient in the face of calamities. The more disadvantaged a person, the less coping mechanisms they have to mitigate the impact of a shock, perpetuating their condition of poverty and entrenching inequalities across groups. Many times the only coping mechanism available to the poor is the use of more natural resources – cutting deeper into forests or over fishing, for example - creating vicious cycles of poverty and resource over-exploitation. This in turn, further degrades ecosystems, which contributes to vulnerability, poverty and inequalities today, and compromises the opportunities and choices of future generations.

The outbreak of Ebola virus in West Africa is an example of the vicious cycle that can result from vulnerabilities due to intersecting inequalities, environmental degradation and fragile states. Poverty and decimation of natural resources in isolated regions, such as those where the Ebola outbreak started, drive communities to venture deeper into forests to find firewood and to hunt wild animals for food, increasing their risk of exposure to Ebola and other diseases. The increased risk of exposure is intensified by inadequate and neglected local healthcare systems that fail to identify the virus immediately and provide the proper safeguards to healthcare workers and those in contact with patients, allowing the virus to spread. Once patients fall ill or pass away in these poor isolated communities, an absence of coping mechanisms pushes families and communities into deeper poverty and destitution.

### The Contribution of UNDP to Inequality Reduction

UNDP works to find innovative solutions to a set of complex and urgent issues that result in and perpetuate inequalities. UNDP’s work on inequality reduction at the country level is in the following four areas:

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<th>Broad-based growth and employment generation</th>
<th>Improved social spending to reach marginalized groups</th>
<th>Mitigate and eradicate social exclusion</th>
<th>Protect those most affected by climate change</th>
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<td>UNDP provides technical expertise on employment creation for those at the tail-end of the income distribution.</td>
<td>UNDP provides assistance to governments in the development of social policies, specifically social protection systems that leave no one behind.</td>
<td>UNDP works to help countries overcome specific barriers faced by marginalized groups.</td>
<td>UNDP also uses its experience in natural resource management and climate change adaptation and mitigation to reduce inequalities.</td>
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<td>In <strong>Mongolia</strong>, UNDP helped establish a financial credit mechanism for medium- and small-enterprises. The initiative evolved into XacBank, an independent commercial bank with over 71,000 loans serving urban and rural low income citizens and micro entrepreneurs- about 23.9 percent of its clients receive loans under US$300, while 70 percent receive loans under US$2,500. 60 per cent of its clients are women.</td>
<td>In <strong>Latin America and the Caribbean</strong>, UNDP has developed a methodology to assist governments to improve the impact of taxation, subsidies and social spending on the distribution of income.</td>
<td>In <strong>Armenia</strong>, UNDP supported the eligibility of People Living with Disabilities (PLWD) for social services by revising the Disability Certification procedures in line with the conceptual framework of the International Classification of Functioning, Disability and Health (ICF).</td>
<td>Through the <strong>Poverty-Environment Initiative</strong>, UNDP has supported the government of the <strong>Dominican Republic</strong> to develop policies that link poverty, the environment and climate change, and reduce the vulnerability of poor households to climate shocks.</td>
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<td>Across the world UNDP supports the implementation of Social Protection Floors which provide a minimum of basic social guarantees for all.</td>
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<td>UNDP supported gender sensitive social protection in <strong>Uruguay</strong> by positioning care services, such as early childhood, disability and old-age, in the government’s social protection agenda.</td>
<td>In <strong>Ecuador</strong>, UNDP helps the Waorani women’s association to promote organic cocoa cultivation as a wildlife protection measure, a way to reduce deforestation and a pathway to local sustainable development. The revenues</td>
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XacBank clients are women. They are invested in local education, health and infrastructure projects that build resilience.